# Kannaland Municipality Draft Budget

# 2020/2021 to 2022/2023

# Medium Term Revenue and Expenditure Framework (MTREF)

**25 March 2020**

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## GLOSSARY

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| **Adjustments budget** - Prescribed in section 28 of the MFMA - the formal means by which a municipality may revise its annual budget during the year. |
| **Allocations** – Money received from provincial or national government or other municipalities. |
| **Budge**t – The financial plan of municipality. |
| **Budget-related policy** – Policy of a municipality affecting or affected by the budget, such as the tariffs policy, rates policy and credit control and debts collection policy. |
| **Capital expenditure** – Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the municipality's statement of financial position (balance sheet). |
| **Cash flow statement** – A statement showing when actual cash will be received and spent by the municipality. Cash payments do not always coincide with the timing of budgeted expenditure. For example, when an invoice is received by the municipality it scores as expenditure in the month it is received, even though it may not be paid in the same period. |
| **DORA –** Division of Revenue Act. Annual piece of legislation that shows the amount of allocations form national to local government. |
| **Equitable share –** A general grant paid to municipalities. It is predominantly targeted to help with free basic services. |
| **Fruitless and wasteful expenditure –** Expenditure that was made in vain and would have been avoided had reasonable care been exercised. |
| **GFS –** Government finance statistics. An internationally recognized classification system that facilitates like for like comparison between municipalities. |
| **GRAP –** Generally Recognised Accounting Practice. The new standard for municipal accounting. |
| **IDP –** Integrated development plan. The main strategic planning document of the Municipality. |

| |
|---|
| **KPIs –** Key performance indicators. Measures of services output and/or outcome. |
| **MFMA –** The Municipal Finance Management Act, 2003 – Act No. 56 of 2003. The principle piece of legislation relating to municipal financial management. |
| **MTREF –** Medium-term revenue and expenditure framework. A medium-term financial plan, usually three years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous and currents years' financial position. |
| **Rates –** Local government taxation based on an assessed value of a property. To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand. |
| **SDBIP –** Service delivery and budget implementation plan. A detailed plan comprising quarterly performance targets and monthly budget estimates. |
| **Strategic Objectives –** The main priorities of the municipality as set out in the IDP. Budgeted spending must contribute towards the achievement of the strategic objectives. |
| **Unauthorized expenditure –** Generally, spending without, or in excess of, an approved budget. |
| **Virement –** A transfer of budget |
| **Virement policy –** The policy that sets out the rules for the budget transfers. Virements are normally allowed within a vote. Transfers between votes must be agreed by council through an adjustments budget. |
| **Vote –** One of the main segments into which a budget is divided, usually directorate/department level. |

## 1 MAYORAL SPEECH

The mayoral budget speech will be made available on the day of approval of the budget.

## 2 Draft Budget and Budget Related Workshop

The Budget and Treasury Office requested for the Budget Workshop on the **26th of March 2020** whereby all stakeholders were invited to discuss the draft budget to be tabled in the council meeting and all councilors attended this fruitful meeting which discussed the following;

a. The annual budget for the financial year 2020/21 and indicative outer years 2021/22 and 2022/23 as set-out in terms of section 24 of the MFMA:

- Capital expenditure by project as contained in Annexure "A" to the Agenda.
- Capital funding by source as contained in Annexure "A" to the Agenda.
- Operating revenue by source as contained in Table 1 of the report.
- Operating expenditure by type as contained in Table 2 of the report.

b. Property rates for the budget year 2020/21.

c. That tariffs and services charges as reflected in the formal tariff list for the budget year 2020/21.

d. The capital funding, both internal and external funding, as they must be secured prior to the commencement of any new capital project.

## 3 RECOMMENDATIONSTO THE COUNCIL

a. That council notes that the 2019/20 Adjustment Budget will be the basis of the 2020 Draft Budget and therefore all the adjustment budget recommendations including the Financial Recovery Plan initiatives be taken into consideration.

b. That council to note of the Draft Budget for 2020/21 budget in terms of section 17(2) of the Municipal Finance Management Act, (Act 56 of 2003), as well as section 24 of the Municipal Finance Management Act, (Act 56 of 2003).

c. That the tabled budget be made available to all public places and social media platforms in order to obtain comments from the local communities and other related stakeholders. Furthermore, Budget Related policies will also be posted on the municipal website for review.

d. that the tabled budget documentation for 2020/21 – 2022/2023 as outlined in the budget regulations be submitted to National and Provincial Treasury.

That the following policies that are posted on the Municipal Website will be reviewed and approved by no later than 30 May 2020:

**i** Customer care, credit control and debt collection
**ii** Property rates
**iii** Tariff
**iv** Unauthorized, irregular and fruitless and wasteful expenditure
**v** Indigent
**vi** Virement Policy
**vii** Cash management and investment
**viii** Supply chain management
**ix** PPPFA
**x** Asset management
**xi** Funding borrowing and reserve
**xii** Long-term financial plan
**xiii** Liquidity policy
**xiv** Budget implementation and monitoring policy
**xv** Bad debt write-off
**xvi** Fleet management
**xvii** Grants-in-aid
**xviii** Travel and subsistence
**xix** Risk management
**xx** Capital contributions for new developments
**xxi** Water losses policy
**xxii** Electricity losses policy
**xxiii** Public participation policy

## 4 EXECUTIVE SUMMARY

A budget task team was established for the preparation of the 2020/21 budget. The budget task team was confronted with numerous challenges during the budget process. The following matters will probably impact on the final annual budget:

a) The continued negative effect of the economic downturn, more so now that our national economic health is in a volatile state.
b) The increasing service delivery shortcomings and the inability of the municipality to properly fund service delivery requirements.
c) The inability of the municipality to establish a capital replacement reserve to provide financial leverage for non-cash items in the budget.
d) Insufficient funding for the rehabilitation and/or replacement of components that have reached the end of their design life.
e) inadequate maintenance budgets, which could be attributed to the municipality's limited income base.
f) Inadequate interdepartmental cooperation with the preparation and implementation of the budget.

g) Failure to implement strategic plans developed for the improvement of the financial health of the municipality.
h) Kannaland's outstanding creditor book due to previous financial challenges which the current budget must provide for.
i) Nersa's directive that bulk purchases will once again increase above the inflation rate for municipalities.
j) The National Emergency disaster due the COVID 19 Pandemic.

The success of the financial recovery plan, as adopted by council during March 2018, is crucial to ensure the municipality is financially stable and is able to provide services on a sustainable basis. Council approved a revenue enhancement plan that was developed in partnership with Municipal Infrastructure Support Agency (MISA).

The implementation of this strategy is a work-in-progress and there has been a lot of progress made thus far.

Key budget considerations:

- The municipality must focus on its core functions. During the adjustment's budget of 2019 the budget committee and the portfolio councilors in conjunction with the heads of department scrutinized the budget to affect all possible savings.

- The need to maximize income through efficiencies and the way we do business was investigated before we decided to increase our rates, service charges and other tariffs within reasonable levels.

- An initiative as part of the revenue enhancement project was implemented to ensure, among other, that all consumers are billed correctly and are contributing to the municipality's income as set out in our tariff policy.

- The municipality was unable in the past to realize a capital replacement reserve (CRR) due to previous financial limitations and restrictions to take action against indigent households who are failing to adhered to the relevant policy and requirements. Council has envisaged to establish the revenue enhancement plan will, however, include the establishment of a CRR to be funded from a vigorous collection process to be applied in respect of prior year's outstanding debt. This process will be phased in over the next five years. The aforementioned will be a very great challenge especially due to overdue creditor`s accounts of more than **R39 million**.

- The capital contributions policy was reviewed to ensure that the municipality receives fair compensation from bulk capacity sold to bulk consumers.

- The municipality adopted a hands-on cash management approach through a planned cash flow management committee. The municipality's updated cash management policy has been in effect since 1 July 2019.

- No external loans will be sourced to fund capital projects. The capital acquisitions for 2020/2021 will be limited to the availability of cash funds and secured grant funding.

- The municipality has implemented a process to ensure that all available national and provincial government grants are accessed in order to service part of our capital programme.

- The municipality is currently undertaking an internal land audit with the aim to identify properties which could be alienated. The process, however, is at the stage that any financial inflows will only be accounted for in the next adjustments budget. These funds will be utilized to build the CRR.

- In spite of the above-mentioned challenges, the budget task team managed to build the tariffs around the CPI inflation base on the macro economic performance for 2020/2021 to 2022/2023. They have further applied electricity increases line with ESKOM tariffs, National Treasury guidelines and now await the outcome of NERSA's directive. The electricity tariffs are subject to the court judgement from Eskom versus NERSA.

### 4.1 Funding the budget

Section 18(1) of the MFMA states that an annual budget may only be funded from:

- Realistically anticipated revenues to be collected.
- Cash-backed accumulated funds from previous years' surpluses not committed for other purposes.
- Borrowed funds, but only for the capital budget referred to in Section 17.

The municipality is committed to achieving the outcomes, as outlined by the above legislation. However, it is not always possible to ensure that budgeted inflows break even with budgeted inflows due to inherent financial and other constraints. Our 2020/2021 proposed budget is an indication that we are closer to achieving this objective.

Under old budget formats, a 'balanced' income-generated approach was a key objective and this assisted in ensuring that outflows were matched by inflows, provided revenue collections were realistic. However, the requirement for GRAP-compliant budgets necessitated that budget 'balancing' be much more comprehensive.

New budgeting and accounting formats demand that the budgeted statement of financial performance (income statement), the budgeted statement of financial position (balance sheet) and the budgeted statement of cash flows must be considered simultaneously to ensure effective financial management and sustainability and to ensure that the budget is funded.

### 4.2 Credible budget

Amongst other things, a credible budget is a budget that adhere to the following principles:

- Items budgeted for should be restricted to key performance indicators identified in the IDP for that specific period. Care should be taken that provision is only made provided sufficient funding is available.

- The budget should be achievable in terms of agreed service delivery and performance targets.

- It contains revenue and expenditure projections that are consistent with current and past performance and supported by documented evidence of future assumptions.
- The financial viability of the municipality should at all times be considered in deciding on the inclusion or exclusion of the budget items (affordability confirmed prior to inclusion).

- Managers are provided with appropriate levels of delegation sufficient to meet their financial management responsibilities.

## 5 BUDGET OVERVIEW OF THE 2020/201 MTREF

This section provides an overview of the Kannaland Municipality's 2020 MTREF. It includes an assessment of how the budget links with the national and provincial government contexts along with a review of the fiscal position of the municipality.

The municipality's budget must be seen within the context of the policies and financial priorities of national, provincial and local governments. In essence, the spheres of government are partners in meeting the service delivery challenges faced in Kannaland. Kannaland alone cannot meet these challenges. It requires support from the other spheres of government through the direct allocation of resources, as well as the achievement of their own policies.

According to MFMA Circular No. 99, the following headline inflation forecasts underpin the 2019/20 national budget:

| Fiscal year | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|
| | Estimate | Forecast | | |
| Headline CPI inflation | 4.1% | 4.5% | 4.6% | 4.6% |

The growth parameters apply to tariff increases for property rates, user and other charges raised by municipalities and municipal entities, to ensure that all spheres of government support the national macroeconomic policies, unless it can be shown that external factors impact otherwise.

The budget process in Kannaland followed the requirements of the MFMA. A table of key deadlines was tabled in council by the mayor in August 2019. The budget task team was to examine, review and prioritize budget proposals from departments.

For the 2020/21 period, the municipality is planning to spend **R68 986 110** on capital projects. The MFMA requires municipalities to set out measurable performance objectives when tabling their budgets. These “key deliverables” link the financial inputs of the budget to service delivery requirements.

As a further enhancement to this, quarterly service targets and monthly financial targets are contained in the service delivery and budget implementation plan (SDBIP). This must be approved by the mayor within 28 days after the approval of the final budget and forms the basis for the municipalities in year monitoring.

Kannaland budgeted for an operational deficit of **R6 122 644**, further budget cuts still need to be implemented and funding sources be implemented. The total expected Operational Revenue is **R161 332 850** and Operational Expenditure is **R167 455 494**. Contributed assets funded by conditional national grants in the budget to the amount of **R63 321 350** and **R5 664 760** funded by own funds.

Further comments regarding the financial position and financial results will be included in the final report after the systems data strings have been rectified.

In view of the aforementioned, the following table is a consolidated overview of the proposed MTREF:

## 5.1 Table A1 Budget summary

**WC041 Kannaland - Table A1 Budget Summary**

| Description | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|
| R thousands | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| **Financial Performance** | | | | | | | | | | |
| Property rates | **2 401** | – | 17 001 | 17 117 | 17 117 | 17 117 | – | 29 705 | 31 190 | 32 750 |
| Service charges | 66 115 | – | 69 672 | 88 958 | 90 425 | 90 425 | – | 79 959 | 88 193 | 97 288 |
| Investment revenue | 508 | – | 669 | 526 | 778 | 778 | – | – | – | – |
| Transfers recognised - operational | 30 715 | – | 34 779 | 37 147 | 45 565 | 45 565 | – | 37 942 | 43 268 | 51 163 |
| Other own revenue | 14 301 | – | 7 747 | 18 336 | 16 606 | 16 606 | – | 13 727 | 14 457 | 15 227 |
| **Total Revenue (excluding capital transfers and contributions)** | 114 039 | – | 129 869 | 162 083 | 170 490 | 170 490 | – | 161 333 | 177 108 | 196 428 |
| Employee costs | 10 513 | – | 55 327 | 59 406 | 61 192 | 61 192 | – | 58 957 | 62 606 | 67 674 |
| Remuneration of councillors | 85 | – | 2 866 | 3 277 | 3 408 | 3 408 | – | 3 578 | 3 757 | 3 945 |
| Depreciation & asset impairment | 2 406 | – | – | 11 192 | 9 336 | 9 336 | – | 12 231 | 12 843 | 13 485 |
| Finance charges | (176) | – | 612 | 722 | 670 | 670 | – | 227 | 229 | 231 |
| Materials and bulk purchases | 26 818 | – | 27 010 | 44 282 | 43 883 | 43 883 | – | 51 547 | 58 346 | 65 811 |
| Transfers and grants | 2 052 | – | 2 379 | 558 | 308 | 308 | – | 470 | 494 | 518 |
| Other expenditure | (8 368) | – | 24 680 | 43 518 | 45 511 | 45 511 | – | 40 444 | 46 727 | 55 747 |
| **Total Expenditure** | 33 331 | – | 112 875 | 162 954 | 164 307 | 164 307 | – | 167 455 | 185 002 | 207 412 |
| **Surplus/(Deficit)** | 80 708 | – | 16 994 | (871) | 6 183 | 6 183 | – | (6 123) | (7 894) | (10 984) |
| Transfers and subsidies - capital (monetary allocations) | 4 435 | – | 12 056 | 52 236 | 35 346 | 35 346 | – | 67 370 | 40 154 | 36 882 |
| Contributions recognised - capital & contributed assets | – | – | – | – | – | – | – | – | – | – |
| **Surplus/(Deficit) after capital transfers & contributions** | 85 143 | – | 29 050 | 51 366 | 41 529 | 41 529 | – | 61 248 | 32 260 | 25 898 |
| Share of surplus/ (deficit) of associate | – | – | – | – | – | – | – | – | – | – |
| **Surplus/(Deficit) for the year** | 85 143 | – | 29 050 | 51 366 | 41 529 | 41 529 | – | 61 248 | 32 260 | 25 898 |
| **Capital expenditure & funds sources** | | | | | | | | | | |
| **Capital expenditure** | **(0)** | – | – | 52 626 | 35 692 | 35 692 | – | 68 986 | 37 748 | 34 669 |
| Transfers recognised - capital | **12 520** | – | (12 674) | 52 236 | 35 202 | 35 202 | – | 63 321 | 36 938 | 33 489 |
| Public contributions & donations | **–** | – | – | – | – | – | – | – | – | – |
| Borrowing | **–** | – | – | – | – | – | – | – | – | – |
| Internally generated funds | **–** | – | (64) | 390 | 490 | 490 | – | 5 665 | 810 | 1 180 |
| **Total sources of capital funds** | **12 520** | – | (12 739) | 52 626 | 35 692 | 35 692 | – | 68 986 | 37 748 | 34 669 |
| **Financial position** | | | | | | | | | | |
| Total current assets | **35 729** | – | (13 880) | 9 324 | 21 584 | 21 584 | – | 93 062 | 72 175 | 73 404 |
| Total non current assets | **(928)** | – | 17 111 | 41 435 | 26 184 | 26 184 | – | 56 775 | 24 926 | 21 206 |
| Total current liabilities | **(18 119)** | – | 23 964 | 950 | (5 896) | (5 896) | – | (89 834) | (66 087) | (69 958) |
| Total non current liabilities | **(1 086)** | – | (3) | (343) | (343) | (343) | – | 1 246 | 1 246 | 1 246 |
| Community wealth/Equity | **(85 676)** | – | 2 427 | – | – | – | – | – | – | – |
| **Cash flows** | | | | | | | | | | |
| Net cash from (used) operating | **41 911** | – | 204 295 | 274 549 | 285 029 | 285 029 | – | (284 378) | (317 893) | (359 534) |
| Net cash from (used) investing | **(12 698)** | – | 795 | (52 626) | (35 692) | (35 692) | – | (68 986) | (37 748) | (34 669) |
| Net cash from (used) financing | **–** | – | 11 | (720) | (720) | (720) | – | 194 | 194 | 194 |
| **Cash/cash equivalents at the year end** | **29 214** | – | 205 098 | 221 203 | 248 617 | 248 617 | – | (353 170) | (708 617) | (1 102 625) |
| **Cash backing/surplus reconciliation** | | | | | | | | | | |
| Cash and investments available | **30 468** | – | 10 017 | 2 440 | 17 132 | 17 132 | – | 19 805 | (6 219) | (10 715) |
| Application of cash and investments | **16 163** | – | 12 108 | (5 386) | 4 166 | 4 166 | – | 163 367 | 146 281 | 157 423 |
| **Balance - surplus (shortfall)** | **14 305** | – | (2 091) | 7 826 | 12 967 | 12 967 | – | (143 562) | (152 500) | (168 138) |
| **Asset management** | | | | | | | | | | |
| Asset register summary (WDV) | **(928)** | – | 17 111 | 41 435 | 26 184 | 26 184 | | 56 775 | 24 926 | 21 206 |
| Depreciation | **2 406** | – | – | 11 192 | 9 336 | 9 336 | | 12 231 | 12 843 | 13 485 |
| Renewal of Existing Assets | **971** | – | – | – | – | – | | – | – | – |
| Repairs and Maintenance | **6 911** | – | 892 | 25 379 | 25 891 | 25 891 | | 28 344 | 30 646 | 33 019 |
| **Free services** | | | | | | | | | | |
| Cost of Free Basic Services provided | **(11 407)** | – | (1 477) | 19 275 | 19 275 | 19 275 | 20 086 | 20 086 | 20 086 | 20 086 |
| Revenue cost of free services provided | **(4 426)** | – | 4 383 | 2 693 | 2 693 | 2 693 | 4 931 | 4 931 | 5 178 | 5 437 |
| **Households below minimum service level** | | | | | | | | | | |
| Water: | – | – | – | – | – | – | – | – | – | – |
| Sanitation/sewerage: | – | – | – | – | – | – | – | – | – | – |
| Energy: | – | – | – | – | – | – | – | – | – | – |
| Refuse: | – | – | – | – | – | – | – | – | – | – |

## 5.2 BUDGETED FINANCIAL PERFORMANCE

**WC041 Kannaland - Table A4 Budgeted Financial Performance (revenue and expenditure)**

| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | 1 | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| **Revenue By Source** | | | | | | | | | | | |
| Property rates | 2 | 2 401 | – | 17 001 | 17 117 | 17 117 | 17 117 | – | 29 705 | 31 190 | 32 750 |
| Service charges - electricity revenue | 2 | 43 362 | – | 44 924 | 59 573 | 60 970 | 60 970 | – | 54 366 | 60 616 | 67 587 |
| Service charges - water revenue | 2 | 12 580 | – | 12 773 | 16 920 | 16 920 | 16 920 | – | 12 376 | 13 696 | 15 121 |
| Service charges - sanitation revenue | 2 | 6 189 | – | 6 174 | 6 271 | 6 271 | 6 271 | – | 6 271 | 6 589 | 6 923 |
| Service charges - refuse revenue | 2 | 3 985 | – | 5 801 | 6 193 | 6 263 | 6 263 | – | 6 945 | 7 292 | 7 657 |
| Rental of facilities and equipment | | 572 | – | 500 | 956 | 881 | 881 | – | 17 | 18 | 19 |
| Interest earned - external investments | | 508 | – | 669 | 526 | 778 | 778 | – | – | – | – |
| Interest earned - outstanding debtors | | 10 058 | – | 49 | 5 622 | 5 622 | 5 622 | – | 5 136 | 5 436 | 5 755 |
| Dividends received | | – | – | – | – | – | – | – | – | – | – |
| Fines, penalties and forfeits | | 2 206 | – | 5 575 | 8 928 | 7 370 | 7 370 | – | 7 264 | 7 627 | 8 009 |
| Licences and permits | | 139 | – | 173 | 160 | 198 | 198 | – | 50 | 53 | 55 |
| Agency services | | – | – | 828 | 1 010 | 1 010 | 1 010 | – | 1 000 | 1 050 | 1 103 |
| Transfers and subsidies | | 30 715 | – | 34 779 | 37 147 | 45 565 | 45 565 | – | 37 942 | 43 268 | 51 163 |
| Other revenue | 2 | 1 325 | – | 622 | 1 660 | 1 526 | 1 526 | – | 260 | 273 | 287 |
| Gains on disposal of PPE | | – | – | – | – | – | – | – | – | – | – |
| **Total Revenue (excluding capital transfers and contributions)** | | **114 039** | **–** | **129 869** | **162 083** | **170 490** | **170 490** | **–** | **161 333** | **177 108** | **196 428** |
| **Expenditure By Type** | | | | | | | | | | | |
| Employee related costs | 2 | 10 513 | – | 55 327 | 59 406 | 61 192 | 61 192 | – | 58 957 | 62 606 | 67 674 |
| Remuneration of councillors | | 85 | – | 2 866 | 3 277 | 3 408 | 3 408 | – | 3 578 | 3 757 | 3 945 |
| Debt impairment | 3 | (61) | – | 8 302 | 14 077 | 11 584 | 11 584 | – | 11 227 | 12 035 | 12 910 |
| Depreciation & asset impairment | 2 | 2 406 | – | – | 11 192 | 9 336 | 9 336 | – | 12 231 | 12 843 | 13 485 |
| Finance charges | | (176) | – | 612 | 722 | 670 | 670 | – | 227 | 229 | 231 |
| Bulk purchases | 2 | 25 861 | – | 25 263 | 40 200 | 40 200 | 40 200 | – | 45 725 | 51 920 | 58 940 |
| Other materials | 8 | 958 | – | 1 747 | 4 082 | 3 683 | 3 683 | – | 5 822 | 6 426 | 6 871 |
| Contracted services | | 10 428 | – | 7 901 | 15 531 | 22 051 | 22 051 | – | 16 126 | 20 981 | 28 399 |
| Transfers and subsidies | | 2 052 | – | 2 379 | 558 | 308 | 308 | – | 470 | 494 | 518 |
| Other expenditure | 4, 5 | (18 735) | – | 8 477 | 13 911 | 11 877 | 11 877 | – | 13 091 | 13 711 | 14 438 |
| Loss on disposal of PPE | | – | – | – | – | – | – | – | – | – | – |
| **Total Expenditure** | | **33 331** | **–** | **112 875** | **162 954** | **164 307** | **164 307** | **–** | **167 455** | **185 002** | **207 412** |
| **Surplus/(Deficit)** | | **80 708** | **–** | **16 994** | **(871)** | **6 183** | **6 183** | **–** | **(6 123)** | **(7 894)** | **(10 984)** |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial and District) | | 4 435 | – | 12 056 | 52 236 | 35 346 | 35 346 | – | 67 370 | 40 154 | 36 882 |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions) | 6 | – | – | – | – | – | – | – | – | – | – |
| Transfers and subsidies - capital (in-kind - all) | | – | – | – | – | – | – | – | – | – | – |
| **Surplus/(Deficit) after capital transfers & contributions** | | **85 143** | **–** | **29 050** | **51 366** | **41 529** | **41 529** | **–** | **61 248** | **32 260** | **25 898** |
| Taxation | | – | – | – | – | – | – | – | – | – | – |
| **Surplus/(Deficit) after taxation** | | **85 143** | **–** | **29 050** | **51 366** | **41 529** | **41 529** | **–** | **61 248** | **32 260** | **25 898** |
| Attributable to minorities | | – | – | – | – | – | – | – | – | – | – |
| **Surplus/(Deficit) attributable to municipality** | | **85 143** | **–** | **29 050** | **51 366** | **41 529** | **41 529** | **–** | **61 248** | **32 260** | **25 898** |
| Share of surplus/ (deficit) of associate | 7 | – | – | – | – | – | – | – | – | – | – |
| **Surplus/(Deficit) for the year** | | **85 143** | **–** | **29 050** | **51 366** | **41 529** | **41 529** | **–** | **61 248** | **32 260** | **25 898** |

## 5.3 OPERATING REVENUE FRAMEWORK

The increase in revenue is mainly due to an increase in tariffs that have been in line and capped by the headline (CPI) inflation forecast. It should be noted that even though Kannaland Municipality had tariff increases that exceeded inflation the progress made to achieving a self-sustainable municipality has been offset by the increased inability to collect revenue.

The cost of compliance, low productivity, the high cost of rural procurement and the inability to attract scares skills at an affordable cost all contribute to an expense account that cannot be funded by our current revenue base and strategies need to be developed to expand the current revenue base with taking into account the limited water storage capacity at the same time. The drought is having an adverse effect on not only the ability to collect revenue, as a result of the downturn in the economy, but also on the selling of economic services (water and electricity) that are the main contributors to the profit margin of the municipality.

The increase in revenue is mainly due to:

- an increase in tariffs
- an increase in grant funding
- an increase in equitable share allocation of R29 803 000
- the prevention of water losses due to by-passed and faulty water meters

### 5.3.1 SERVICE CHARGES AND MISCELLANEOUS TARIFFS:

The following tariff increases are proposed: Please see Annexure 2 (Tariff Book) for detailed tariffs

- Electricity - 6.84 % (Awaiting NERSA approval)
- Water – 5.2 %
- Rates – 5.2%
- Refuse - 5.2%
- Sewerage – 5.2%
- Other – 5.2%

### 5.3.2 The following table provides a breakdown of the various grants allocated to Kannaland Municipality over the medium term:

Below is the indication of the various grants envisaged to be received by the municipality as per gazzeted transfers.

| | | | | | 19-20 | 20-21 | 21-22 | 22-23 |
|---|---|---|---|---|---|---|---|---|
| | | Grant | Gazette | Dept | | | | |
| **Opex** | | Equitable Share | All | National | 28 147 000,00 | **29 803 000,00** | **31 659 000,00** | **33 315 000,00** |
| **Opex** | | FMG | CFO | National | 2 215 000,00 | 2 647 000,00 | 2 911 000,00 | 3 132 000,00 |
| **Opex** | | Mun Syst Imp Grant (MSIG) | CFO | National | | 1 900 000,00 | 2 000 000,00 | 1 000 000,00 |
| **Opex** | | MIG - PMU | Public | National | 513 550,00 | 511 650,00 | 536 200,00 | 554 150,00 |
| **Opex** | | EPWP | Public | National | 1 184 000,00 | 1 171 000,00 | - | - |
| **Opex** | | WC - Fin Management Support | CFO | Provincial | 330 000,00 | | | |
| **Opex** | | Human Settlement | Housing | Provincial | 380 000,00 | 200 000,00 | 6 000 000,00 | 13 000 000,00 |
| **Opex** | | Fire kit | Housing | Provincial | | **2 402 760,00** | **2 643 033,00** | |
| **Opex** | | WC: Transport Infrastructure | Public | Provincial | 50 000,00 | 50 000,00 | 50 000,00 | 50 000,00 |
| **Opex** | | WC Fin Mngmt Capacity Building | CFO | Provincial | 380 000,00 | 401 000,00 | - | - |
| **Opex** | | Library (Replacement) | library | Provincial | 2 826 000,00 | 3 049 000,00 | 3 216 000,00 | 3 393 000,00 |
| **Capex** | **Furniture & Eqip : Bersig Bib** | Library (Replacement) | library | Provincial | 50 000,00 | | | |
| **Capex** | **Upgrading Bib Bersig** | Communiry Serv Library Grant | library | Provincial | 650 000,00 | 1 000 000,00 | - | - |
| **Opex** | | Thusong Centre | hall | Provincial | - | - | 146 000,00 | - |
| **Opex** | | communiy development workers | hall | Provincial | | 112 000,00 | 112 000,00 | 112 000,00 |
| **Opex** | | Fire Services Capacity Building | Fire | Provincial | 252 000,00 | | | |
| **Capex** | | Fire Services Capacity Building | Fire | Provincial | 578 000,00 | | | |
| **Capex** | **Drought Relief** | Drought Relief | Water | Provincial | 3 300 000,00 | 2 600 000,00 | - | - |
| **Capex** | **RBIG - Dam Reallocation** | Regional Bulk Infrastructure | Water | National | 10 000 000,00 | - | - | - |
| **Capex** | **RBIG - WWTW** | Regional Bulk Infrastructure | Sewerage | National | 15 000 000,00 | 30 000 000,00 | 4 750 000,00 | |
| **Capex** | **WSIG** | Water Serv Infrastructure Grant | Water | National | 10 000 000,00 | 20 000 000,00 | 20 000 000,00 | 20 960 000,00 |
| **Capex** | **INEG** | INEG | Elec | National | 2 901 000,00 | - | 2 000 000,00 | 2 000 000,00 |
| **Capex** | **MIG Projects** | MIG - Capital | Public | National | 9 757 450,00 | 9 721 350,00 | 10 187 800,00 | 10 528 850,00 |
| | | | | | | | | |
| | | | | | | | | |
| | | **Total MIG ( including PMU)** | | | **10 271 000,00** | **10 233 000,00** | **10 724 000,00** | **11 083 000,00** |
| | | | | | | | | |
| **Opex** | | Equitable Share (Equit Share Formula | | National | 26 533 000,00 | 28 189 000,00 | 29 980 000,00 | 31 566 000,00 |
| **Opex** | | Equitable Share (Rem for Councillors) | | National | 1 374 000,00 | 1 374 000,00 | 1 439 000,00 | 1 509 000,00 |
| **Opex** | | Equitable Share (Ward Committee) | | National | 240 000,00 | 240 000,00 | 240 000,00 | 240 000,00 |

## 5.4 OPERATING EXPENDITURE FRAMEWORK

The expenditure framework for the 2020/21 budget and MTREF is informed by the guidelines of National Treasury.

Reasons for significant cost variances:

- *Debt impairment* – The calculation is based on the payment ratios and also the current economic climate in Kannaland and the implementation of GRAP 1 Presentation of Financial Statements.

- Bulk purchases for electricity will probably increase significantly as a result of increase in Electricity prices for 2020/21 financial year – The increase is based on the tariff for bulk purchases as set out by NERSA and
- The SALGA negotiated wage increase above **6 percent** provision will also contributes to a smaller surplus.

In expenditure, debt impairment will be the offset of revenue to ensure that that there are only budgeted for realistically realizable revenue. An amount of **R11 227 410** was budgeted to increase the provision.

The following table is a summary of the 2020/21 MTREF (classified by main expenditure types):

**WC041 Kannaland - Table A4 Budgeted Financial Performance (revenue and expenditure)**

| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | 1 | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| **Revenue By Source** | | | | | | | | | | | |
| Property rates | 2 | 2 401 | – | 17 001 | 17 117 | 17 117 | 17 117 | – | 29 705 | 31 190 | 32 750 |
| Service charges - electricity revenue | 2 | 43 362 | – | 44 924 | 59 573 | 60 970 | 60 970 | – | 54 366 | 60 616 | 67 587 |
| Service charges - water revenue | 2 | 12 580 | – | 12 773 | 16 920 | 16 920 | 16 920 | – | 12 376 | 13 696 | 15 121 |
| Service charges - sanitation revenue | 2 | 6 189 | – | 6 174 | 6 271 | 6 271 | 6 271 | – | 6 271 | 6 589 | 6 923 |
| Service charges - refuse revenue | 2 | 3 985 | – | 5 801 | 6 193 | 6 263 | 6 263 | – | 6 945 | 7 292 | 7 657 |
| Rental of facilities and equipment | | 572 | – | 500 | 956 | 881 | 881 | – | 17 | 18 | 19 |
| Interest earned - external investments | | 508 | – | 669 | 526 | 778 | 778 | – | – | – | – |
| Interest earned - outstanding debtors | | 10 058 | – | 49 | 5 622 | 5 622 | 5 622 | – | 5 136 | 5 436 | 5 755 |
| Dividends received | | – | – | – | – | – | – | – | – | – | – |
| Fines, penalties and forfeits | | 2 206 | – | 5 575 | 8 928 | 7 370 | 7 370 | – | 7 264 | 7 627 | 8 009 |
| Licences and permits | | 139 | – | 173 | 160 | 198 | 198 | – | 50 | 53 | 55 |
| Agency services | | – | – | 828 | 1 010 | 1 010 | 1 010 | – | 1 000 | 1 050 | 1 103 |
| Transfers and subsidies | | 30 715 | – | 34 779 | 37 147 | 45 565 | 45 565 | – | 37 942 | 43 268 | 51 163 |
| Other revenue | 2 | 1 325 | – | 622 | 1 660 | 1 526 | 1 526 | – | 260 | 273 | 287 |
| Gains on disposal of PPE | | – | – | – | – | – | – | – | – | – | – |
| **Total Revenue (excluding capital transfers and contributions)** | | **114 039** | **–** | **129 869** | **162 083** | **170 490** | **170 490** | **–** | **161 333** | **177 108** | **196 428** |
| **Expenditure By Type** | | | | | | | | | | | |
| Employee related costs | 2 | 10 513 | – | 55 327 | 59 406 | 61 192 | 61 192 | – | 58 957 | 62 606 | 67 674 |
| Remuneration of councillors | | 85 | – | 2 866 | 3 277 | 3 408 | 3 408 | – | 3 578 | 3 757 | 3 945 |
| Debt impairment | 3 | (61) | – | 8 302 | 14 077 | 11 584 | 11 584 | – | 11 227 | 12 035 | 12 910 |
| Depreciation & asset impairment | 2 | 2 406 | – | – | 11 192 | 9 336 | 9 336 | – | 12 231 | 12 843 | 13 485 |
| Finance charges | | (176) | – | 612 | 722 | 670 | 670 | – | 227 | 229 | 231 |
| Bulk purchases | 2 | 25 861 | – | 25 263 | 40 200 | 40 200 | 40 200 | – | 45 725 | 51 920 | 58 940 |
| Other materials | 8 | 958 | – | 1 747 | 4 082 | 3 683 | 3 683 | – | 5 822 | 6 426 | 6 871 |
| Contracted services | | 10 428 | – | 7 901 | 15 531 | 22 051 | 22 051 | – | 16 126 | 20 981 | 28 399 |
| Transfers and subsidies | | 2 052 | – | 2 379 | 558 | 308 | 308 | – | 470 | 494 | 518 |
| Other expenditure | 4, 5 | (18 735) | – | 8 477 | 13 911 | 11 877 | 11 877 | – | 13 091 | 13 711 | 14 438 |
| Loss on disposal of PPE | | – | – | – | – | – | – | – | – | – | – |
| **Total Expenditure** | | **33 331** | **–** | **112 875** | **162 954** | **164 307** | **164 307** | **–** | **167 455** | **185 002** | **207 412** |
| **Surplus/(Deficit)** | | **80 708** | **–** | **16 994** | **(871)** | **6 183** | **6 183** | **–** | **(6 123)** | **(7 894)** | **(10 984)** |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial and District) | | 4 435 | – | 12 056 | 52 236 | 35 346 | 35 346 | – | 67 370 | 40 154 | 36 882 |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions) | 6 | – | – | – | – | – | – | – | – | – | – |
| Transfers and subsidies - capital (in-kind - all) | | – | – | – | – | – | – | – | – | – | – |
| **Surplus/(Deficit) after capital transfers & contributions** | | **85 143** | **–** | **29 050** | **51 366** | **41 529** | **41 529** | **–** | **61 248** | **32 260** | **25 898** |
| Taxation | | – | – | – | – | – | – | – | – | – | – |
| **Surplus/(Deficit) after taxation** | | **85 143** | **–** | **29 050** | **51 366** | **41 529** | **41 529** | **–** | **61 248** | **32 260** | **25 898** |
| Attributable to minorities | | – | – | – | – | – | – | – | – | – | – |
| **Surplus/(Deficit) attributable to municipality** | | **85 143** | **–** | **29 050** | **51 366** | **41 529** | **41 529** | **–** | **61 248** | **32 260** | **25 898** |
| Share of surplus/ (deficit) of associate | 7 | – | – | – | – | – | – | – | – | – | – |
| **Surplus/(Deficit) for the year** | | **85 143** | **–** | **29 050** | **51 366** | **41 529** | **41 529** | **–** | **61 248** | **32 260** | **25 898** |

The Operating Expenditure has increased from **R165 119 865** in 2019/20 to **R167 455 494**. The increase can be attributed to CPI inflation which is unavoidable. The municipality is however committed on its cost containment measures that are driven by the Financial Recovery Plan.

Employee related costs decreased from **R61 192 116** of the adjustment budget 2018/19 to **R58 957 072**. Provision has been made for a **6 percent** salary increase which is below the average annual increases for the past five years. The municipality is however in the process to scale down its organizational structure to be more realistic and cost effective.

The cost associated with the remuneration of Councilors is determined and informed directly by way of the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998).

The determined upper limits of salaries, allowances and benefits of members of Council are gazzeted annually in December/January. We are still awaiting final Gazette for councilors increases. The total cost to company cost for councilors amounted to **R3 578 460** taking into account the possible 4% increase as anticipated from the upper limits gazette.

**Supporting Table SA23 Salaries, allowances and benefits (political office bearers/councilors/senior managers)**

**WC041 Kannaland - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)**

| Disclosure of Salaries, Allowances & Benefits 1.<br>Rand per annum | Ref | No. | Salary<br>1. | Contributions | Allowances | Performance Bonuses | In-kind benefits | Total Package<br>2. |
|---|---|---|---|---|---|---|---|---|
| **Councillors** | 3 | | | | | | | |
| Speaker | 4 | 1 | 612 270 | – | 181 130 | – | – | 793 400 |
| Chief Whip | | – | – | – | – | – | – | – |
| Executive Mayor | | 1 | 888 020 | 35 060 | 54 930 | – | – | 978 010 |
| Deputy Executive Mayor | | 1 | 412 470 | – | 54 930 | – | – | 467 400 |
| Executive Committee | | – | – | – | – | – | – | – |
| Total for all other councillors | | – | 881 360 | 56 330 | 401 960 | – | – | 1 339 650 |
| **Total Councillors** | 8 | **3** | **2 794 120** | **91 390** | **692 950** | | | **3 578 460** |
| **Senior Managers of the Municipality** | 5 | | | | | | | |
| Municipal Manager (MM) | | 1 | 1 571 010 | 94 710 | 114 000 | 202 430 | – | 1 982 150 |
| Chief Finance Officer | | 1 | 1 126 230 | – | – | – | – | 1 126 230 |
| Other Senior Managers | | 1 | 2 323 767 | – | – | – | – | 2 323 767 |
| | | – | – | – | – | – | – | – |
| | | – | – | – | – | – | – | – |
| | | – | – | – | – | – | – | – |
| *List of each offical with packages >= senior manager* | | | | | | | | |
| | | – | – | – | – | – | – | – |
| | | – | – | – | – | – | – | – |
| | | – | – | – | – | – | – | – |
| | | – | – | – | – | – | – | – |
| | | – | – | – | – | – | – | – |
| | | – | – | – | – | – | – | – |
| | | – | – | – | – | – | – | – |
| | | – | – | – | – | – | – | – |
| | | – | – | – | – | – | – | – |
| | | – | – | – | – | – | – | – |
| **Total Senior Managers of the Municipality** | 8,10 | **3** | **5 021 007** | **94 710** | **114 000** | **202 430** | | **5 432 147** |
| **A Heading for Each Entity** | 6,7 | | | | | | | |
| List each member of board by designation | | | | | | | | |
| | | – | – | – | – | – | – | – |
| | | – | – | – | – | – | – | – |
| | | – | – | – | – | – | – | – |
| | | – | – | – | – | – | – | – |
| | | – | – | – | – | – | – | – |
| | | – | – | – | – | – | – | – |
| | | – | – | – | – | – | – | – |
| | | – | – | – | – | – | – | – |
| | | – | – | – | – | – | – | – |
| | | – | – | – | – | – | – | – |
| | | – | – | – | – | – | – | – |
| | | – | – | – | – | – | – | – |
| | | – | – | – | – | – | – | – |
| | | – | – | – | – | – | – | – |
| | | – | – | – | – | – | – | – |
| | | – | – | – | – | – | – | – |
| | | – | – | – | – | – | – | – |
| | | – | – | – | – | – | – | – |
| | | – | – | – | – | – | – | – |
| | | 1 | – | 220 | – | – | – | 220 |
| **Total for municipal entities** | 8,10 | **1** | **–** | **220** | **–** | **–** | | **220** |
| **TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION** | 10 | **7** | **7 815 127** | **186 320** | **806 950** | **202 430** | | **9 010 827** |

Provision has been made for a **6 percent** increase for salaries which will come effective in the final budget. Cognizance should be taken that some information is missing as a result of system error which needed to be sorted out before final approval of the budget.

The system still has some error when it comes with the schedule as a result of the changes in the mSCOA version from 6.3 to 6.4 in the 2020/21 MTREF

**Table A2 Budgeted financial performance (revenue and expenditure by functional classification)**

**WC041 Kannaland - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)**

| Functional Classification Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | 1 | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| **Revenue - Functional** | | | | | | | | | | |
| ***Governance and administration*** | | **36 079** | **–** | **48 382** | **34 370** | **39 165** | **39 165** | **47 639** | **51 102** | **53 704** |
| Executive and council | | 20 052 | – | 20 220 | 8 740 | 8 116 | 8 116 | 9 028 | 10 884 | 12 540 |
| Finance and administration | | 16 027 | – | 28 162 | 25 630 | 31 048 | 31 048 | 38 611 | 40 217 | 41 164 |
| Internal audit | | – | – | – | – | – | – | – | – | – |
| ***Community and public safety*** | | **9 058** | **–** | **8 234** | **17 122** | **21 282** | **21 282** | **15 294** | **19 411** | **26 930** |
| Community and social services | | 1 493 | – | 5 474 | 14 723 | 15 029 | 15 029 | 15 094 | 13 411 | 13 930 |
| Sport and recreation | | – | – | – | – | – | – | – | – | – |
| Public safety | | 1 302 | – | 961 | 2 019 | 2 019 | 2 019 | – | – | – |
| Housing | | 6 263 | – | 1 799 | 380 | 4 234 | 4 234 | 200 | 6 000 | 13 000 |
| Health | | – | – | – | – | – | – | – | – | – |
| ***Economic and environmental services*** | | **781** | **–** | **5 842** | **9 182** | **7 611** | **7 611** | **7 398** | **7 764** | **8 141** |
| Planning and development | | – | – | – | – | – | – | – | – | – |
| Road transport | | 781 | – | 5 842 | 9 182 | 7 611 | 7 611 | 7 398 | 7 764 | 8 141 |
| Environmental protection | | – | – | – | – | – | – | – | – | – |
| ***Trading services*** | | **72 556** | **–** | **79 467** | **153 646** | **137 779** | **137 779** | **158 372** | **138 985** | **144 535** |
| Energy sources | | 43 362 | – | 44 940 | 64 873 | 66 270 | 66 270 | 58 870 | 65 128 | 72 109 |
| Water management | | 16 919 | – | 22 551 | 46 059 | 43 725 | 43 725 | 40 945 | 39 813 | 42 358 |
| Waste water management | | 6 724 | – | 6 174 | 28 768 | 13 768 | 13 768 | 44 019 | 19 132 | 14 763 |
| Waste management | | 5 551 | – | 5 801 | 13 946 | 14 016 | 14 016 | 14 537 | 14 912 | 15 306 |
| ***Other*** | 4 | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Total Revenue - Functional** | 2 | **118 474** | **–** | **141 924** | **214 320** | **205 836** | **205 836** | **228 703** | **217 262** | **233 310** |
| **Expenditure - Functional** | | | | | | | | | | |
| ***Governance and administration*** | | **(10 652)** | **–** | **46 858** | **58 160** | **58 899** | **58 899** | **53 085** | **54 895** | **57 598** |
| Executive and council | | 3 106 | – | 13 201 | 15 081 | 14 532 | 14 532 | 13 016 | 13 788 | 14 721 |
| Finance and administration | | (13 759) | – | 33 657 | 43 079 | 44 367 | 44 367 | 40 070 | 41 107 | 42 877 |
| Internal audit | | – | – | – | – | – | – | – | – | – |
| ***Community and public safety*** | | **11 059** | **–** | **10 831** | **9 694** | **13 860** | **13 860** | **10 492** | **15 217** | **22 825** |
| Community and social services | | 3 943 | – | 5 640 | 7 670 | 7 764 | 7 764 | 8 369 | 7 369 | 7 853 |
| Sport and recreation | | 109 | – | 364 | 325 | 611 | 611 | 738 | 574 | 603 |
| Public safety | | 718 | – | 2 787 | 59 | 59 | 59 | 259 | 275 | 292 |
| Housing | | 6 289 | – | 2 040 | 1 640 | 5 426 | 5 426 | 1 126 | 6 999 | 14 077 |
| Health | | – | – | – | – | – | – | – | – | – |
| ***Economic and environmental services*** | | **2 879** | **–** | **5 750** | **18 573** | **16 044** | **16 044** | **19 200** | **20 727** | **22 255** |
| Planning and development | | 8 | – | 21 | – | – | – | – | – | – |
| Road transport | | 2 871 | – | 5 729 | 18 573 | 16 044 | 16 044 | 19 200 | 20 727 | 22 255 |
| Environmental protection | | – | – | – | – | – | – | – | – | – |
| ***Trading services*** | | **29 903** | **–** | **49 436** | **76 527** | **75 505** | **75 505** | **84 678** | **94 162** | **104 733** |
| Energy sources | | 27 714 | – | 30 690 | 50 932 | 49 310 | 49 310 | 56 993 | 64 768 | 73 596 |
| Water management | | 1 020 | – | 9 865 | 12 196 | 12 744 | 12 744 | 12 015 | 12 778 | 13 520 |
| Waste water management | | 159 | – | 4 107 | 6 607 | 6 728 | 6 728 | 7 043 | 7 467 | 7 911 |
| Waste management | | 1 010 | – | 4 774 | 6 792 | 6 724 | 6 724 | 8 626 | 9 149 | 9 706 |
| ***Other*** | 4 | **143** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Total Expenditure - Functional** | 3 | **33 331** | **–** | **112 875** | **162 954** | **164 307** | **164 307** | **167 455** | **185 002** | **207 412** |
| **Surplus/(Deficit) for the year** | | **85 143** | **–** | **29 050** | **51 366** | **41 529** | **41 529** | **61 248** | **32 260** | **25 898** |

The table splits operational expenditure into their respective functional classification.

## Table A3 Budgeted financial performance (revenue and expenditure by municipal vote)

**WC041 Kannaland - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)**

| Vote Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| **Revenue by Vote** | 1 | | | | | | | | | |
| Vote 1 - MUNICIPAL MANAGER | | 20 052 | – | 20 220 | 8 740 | 8 116 | 8 116 | 9 028 | 10 884 | 12 540 |
| Vote 2 - CORPORATE SERVICES | | 9 621 | – | 8 521 | 25 275 | 27 669 | 27 669 | 21 225 | 26 867 | 34 759 |
| Vote 3 - FINANCIAL SERVICES | | 14 806 | – | 27 786 | 24 910 | 30 574 | 30 574 | 38 346 | 39 939 | 40 871 |
| Vote 4 - TECHNICAL SERVICES | | 73 995 | – | 85 398 | 155 394 | 139 477 | 139 477 | 160 104 | 139 571 | 145 139 |
| Vote 5 - CALITZDORP SPA | | – | – | – | – | – | – | – | – | – |
| Vote 6 - CORPORATE SERVICES (Continued) | | – | – | – | – | – | – | – | – | – |
| Vote 7 - [NAME OF VOTE 7] | | – | – | – | – | – | – | – | – | – |
| Vote 8 - [NAME OF VOTE 8] | | – | – | – | – | – | – | – | – | – |
| Vote 9 - [NAME OF VOTE 9] | | – | – | – | – | – | – | – | – | – |
| Vote 10 - [NAME OF VOTE 10] | | – | – | – | – | – | – | – | – | – |
| Vote 11 - [NAME OF VOTE 11] | | – | – | – | – | – | – | – | – | – |
| Vote 12 - [NAME OF VOTE 12] | | – | – | – | – | – | – | – | – | – |
| Vote 13 - [NAME OF VOTE 13] | | – | – | – | – | – | – | – | – | – |
| Vote 14 - [NAME OF VOTE 14] | | – | – | – | – | – | – | – | – | – |
| Vote 15 - [NAME OF VOTE 15] | | – | – | – | – | – | – | – | – | – |
| **Total Revenue by Vote** | 2 | **118 474** | **–** | **141 924** | **214 320** | **205 836** | **205 836** | **228 703** | **217 262** | **233 310** |
| **Expenditure by Vote** ***to be appropriated*** | 1 | | | | | | | | | |
| Vote 1 - MUNICIPAL MANAGER | | 3 252 | – | 13 201 | 15 081 | 14 532 | 14 532 | 13 016 | 13 788 | 14 721 |
| Vote 2 - CORPORATE SERVICES | | 13 417 | – | 21 963 | 28 843 | 31 951 | 31 951 | 31 047 | 38 222 | 47 560 |
| Vote 3 - FINANCIAL SERVICES | | (17 036) | – | 20 941 | 30 062 | 32 289 | 32 289 | 25 490 | 25 886 | 26 535 |
| Vote 4 - TECHNICAL SERVICES | | 33 302 | – | 56 204 | 88 330 | 84 947 | 84 947 | 96 758 | 105 905 | 117 332 |
| Vote 5 - CALITZDORP SPA | | – | – | – | – | – | – | – | – | – |
| Vote 6 - CORPORATE SERVICES (Continued) | | 397 | – | 566 | 639 | 589 | 589 | 1 145 | 1 202 | 1 262 |
| Vote 7 - [NAME OF VOTE 7] | | – | – | – | – | – | – | – | – | – |
| Vote 8 - [NAME OF VOTE 8] | | – | – | – | – | – | – | – | – | – |
| Vote 9 - [NAME OF VOTE 9] | | – | – | – | – | – | – | – | – | – |
| Vote 10 - [NAME OF VOTE 10] | | – | – | – | – | – | – | – | – | – |
| Vote 11 - [NAME OF VOTE 11] | | – | – | – | – | – | – | – | – | – |
| Vote 12 - [NAME OF VOTE 12] | | – | – | – | – | – | – | – | – | – |
| Vote 13 - [NAME OF VOTE 13] | | – | – | – | – | – | – | – | – | – |
| Vote 14 - [NAME OF VOTE 14] | | – | – | – | – | – | – | – | – | – |
| Vote 15 - [NAME OF VOTE 15] | | – | – | – | – | – | – | – | – | – |
| **Total Expenditure by Vote** | 2 | **33 331** | **–** | **112 875** | **162 954** | **164 307** | **164 307** | **167 455** | **185 002** | **207 412** |
| **Surplus/(Deficit) for the year** | 2 | **85 143** | **–** | **29 050** | **51 366** | **41 529** | **41 529** | **61 248** | **32 260** | **25 898** |

## 5.4 Capital Budget

The capital budget increased from **R51 658 450** in 2019/20 to **R68 986 110**. The budget committee went through several stages of prioritizing the capital budget to contain the budget within the available funding. This capital budget has been compiled with due consideration to the direct impact that it would have on the operating budget and our cash position where projects are to be funded solely from internal sources and not external borrowings.

With the current financial constraints that exist on budget it was decided to not obtain external funding for capital projects. While some of the own funded capital expenditure will be scrutinized for approval in the final budget to the value of **R5 664 760.**

The capital budget reflects the following budget allocation to the various departments and reflects the strategic priorities outlined in the IDP. (A5)

The demand for future capital expenditure cannot be completely reliable on grant funding but will have to be expanded. All capital expenditure has been funded in recent years by conditional grants that have the objective to eradicate backlogs in service delivery as a result of the inequalities of our past. The problem arising from this is that the infrastructure that is responsible for economic activity is not only outdated but has not been properly maintained for decades. The economic life of the before-mentioned infrastructure is coming to an end with no strategy or provision in place to address the inevitable situation where general reactive maintenance and repairs will just not suffice. Therefore, is it of the utmost importance that a CRR (capital replacement reserve) be established in the near future to ensure not only a sustainable municipality but a self-sustainable local economy that would contribute to job creation and the eradication of poverty. Industry norm and good practice would be to contribute two per cent of the net carrying value of immovable assets to the CRR and to aim in achieving this objective should be a priority as the liquidity position of Kannaland Municipality improves.

## Table A5 Budgeted capital expenditure by vote, functional classification and funding

**WC041 Kannaland - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding**

| Vote Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | 1 | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| **Capital expenditure - Vote** | | | | | | | | | | | |
| **Multi-year expenditure *to be appropriated*** | 2 | | | | | | | | | | |
| Vote 1 - MUNICIPAL MANAGER | | – | – | – | – | – | – | – | 80 | – | – |
| Vote 2 - CORPORATE SERVICES | | – | – | – | 650 | 650 | 650 | – | – | – | – |
| Vote 3 - FINANCIAL SERVICES | | – | – | – | – | – | – | – | – | – | – |
| Vote 4 - TECHNICAL SERVICES | | – | – | – | – | – | – | – | 2 810 | 790 | 1 160 |
| **Capital multi-year expenditure sub-total** | | **–** | **–** | **–** | **650** | **650** | **650** | **–** | **2 890** | **790** | **1 160** |
| **Single-year expenditure *to be appropriated*** | 2 | | | | | | | | | | |
| Vote 1 - MUNICIPAL MANAGER | | – | – | – | – | – | – | – | 80 | – | – |
| Vote 2 - CORPORATE SERVICES | | – | – | – | 3 733 | 4 272 | 4 272 | – | 4 704 | – | – |
| Vote 3 - FINANCIAL SERVICES | | – | – | – | 360 | 610 | 610 | – | 1 949 | – | – |
| Vote 4 - TECHNICAL SERVICES | | – | – | – | 47 883 | 30 159 | 30 159 | – | 58 333 | 36 948 | 33 499 |
| **Capital single-year expenditure sub-total** | | **–** | **–** | **–** | **51 976** | **35 042** | **35 042** | **–** | **65 066** | **36 948** | **33 499** |
| **Total Capital Expenditure - Vote** | 3,7 | **–** | **–** | **–** | **52 626** | **35 692** | **35 692** | **–** | **67 956** | **37 738** | **34 659** |
| **Capital Expenditure - Functional** | | | | | | | | | | | |
| ***Governance and administration*** | | **16 708** | **–** | **84 695** | **360** | **610** | **610** | **–** | **2 359** | **–** | **–** |
| Executive and council | | (16 946) | – | (20 096) | – | – | – | – | 160 | – | – |
| Finance and administration | | 33 654 | – | 104 790 | 360 | 610 | 610 | – | 2 199 | – | – |
| Internal audit | | – | – | – | – | – | – | – | – | – | – |
| ***Community and public safety*** | | **7 637** | **–** | **(6 565)** | **4 383** | **4 922** | **4 922** | **–** | **5 454** | **–** | **–** |
| Community and social services | | 3 184 | – | (4 570) | 700 | 650 | 650 | – | 4 145 | – | – |
| Sport and recreation | | 5 012 | – | 745 | 3 105 | 3 595 | 3 595 | – | 1 309 | – | – |
| Public safety | | (584) | – | (943) | 578 | 678 | 678 | – | – | – | – |
| Housing | | 25 | – | (1 797) | – | – | – | – | – | – | – |
| Health | | – | – | – | – | – | – | – | – | – | – |
| ***Economic and environmental services*** | | **5 594** | **–** | **(5 766)** | **–** | **–** | **–** | **–** | **550** | **200** | **550** |
| Planning and development | | 8 | – | – | – | – | – | – | – | – | – |
| Road transport | | 5 587 | – | (5 766) | – | – | – | – | 550 | 200 | 550 |
| Environmental protection | | – | – | – | – | – | – | – | – | – | – |
| ***Trading services*** | | **(30 082)** | **–** | **(72 363)** | **47 883** | **30 159** | **30 159** | **–** | **60 623** | **37 548** | **34 119** |
| Energy sources | | (9 688) | – | (44 949) | 3 345 | 3 520 | 3 520 | – | 1 356 | 2 130 | 2 130 |
| Water management | | (12 962) | – | (18 714) | 26 538 | 24 437 | 24 437 | – | 28 617 | 30 468 | 31 789 |
| Waste water management | | (2 943) | – | (4 568) | 18 000 | 2 202 | 2 202 | – | 30 650 | 4 950 | 200 |
| Waste management | | (4 489) | – | (4 131) | – | – | – | – | – | – | – |
| ***Other*** | | **143** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Total Capital Expenditure - Functional** | 3,7 | **(0)** | **–** | **–** | **52 626** | **35 692** | **35 692** | **–** | **68 986** | **37 748** | **34 669** |
| **Funded by:** | | | | | | | | | | | |
| National Government | | 10 166 | – | (11 800) | 47 658 | 25 633 | 25 633 | – | 59 721 | 36 938 | 33 489 |
| Provincial Government | | 2 354 | – | (874) | 4 578 | 9 569 | 9 569 | – | 3 600 | – | – |
| District Municipality | | – | – | – | – | – | – | – | – | – | – |
| Other transfers and grants | | – | – | – | – | – | – | – | – | – | – |
| **Transfers recognised - capital** | 4 | **12 520** | **–** | **(12 674)** | **52 236** | **35 202** | **35 202** | **–** | **63 321** | **36 938** | **33 489** |
| **Public contributions & donations** | 5 | – | – | – | – | – | – | – | – | – | – |
| **Borrowing** | 6 | – | – | – | – | – | – | – | – | – | – |
| **Internally generated funds** | | – | – | (64) | 390 | 490 | 490 | – | 5 665 | 810 | 1 180 |
| **Total Capital Funding** | 7 | **12 520** | **–** | **(12 739)** | **52 626** | **35 692** | **35 692** | **–** | **68 986** | **37 748** | **34 669** |

# 6 BUDGET SCHEDULES

## Table A6 Budgeted financial position

**WC041 Kannaland - Table A6 Budgeted Financial Position**

| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| **ASSETS** | | | | | | | | | | | |
| **Current assets** | | | | | | | | | | | |
| Cash | | 30 468 | – | 1 728 | 2 440 | 17 132 | 17 132 | – | 19 805 | (6 219) | (10 715) |
| Call investment deposits | 1 | – | – | 8 289 | – | – | – | – | – | – | – |
| Consumer debtors | 1 | 6 108 | – | 2 450 | 5 874 | 4 404 | 4 404 | – | 75 190 | 80 835 | 86 928 |
| Other debtors | | (847) | – | (26 597) | 1 010 | (618) | (618) | – | 2 698 | 2 711 | 2 716 |
| Current portion of long-term receivables | | – | – | – | – | – | – | – | – | – | – |
| Inventory | 2 | – | – | 250 | – | 666 | 666 | – | (4 630) | (5 153) | (5 525) |
| **Total current assets** | | **35 729** | **–** | **(13 880)** | **9 324** | **21 584** | **21 584** | **–** | **93 062** | **72 175** | **73 404** |
| **Non current assets** | | | | | | | | | | | |
| Long-term receivables | | – | – | – | – | – | – | – | – | – | – |
| Investments | | – | – | – | – | – | – | – | – | – | – |
| Investment property | | (50) | – | – | – | – | – | – | – | – | – |
| Investment in Associate | | – | – | – | – | – | – | – | – | – | – |
| Property, plant and equipment | 3 | (845) | – | 17 111 | 41 464 | 26 213 | 26 213 | – | 56 805 | 24 958 | 21 239 |
| Agricultural | | – | – | – | – | – | – | – | – | – | – |
| Biological | | – | – | – | – | – | – | – | – | – | – |
| Intangible | | (33) | – | – | (29) | (29) | (29) | – | (30) | (32) | (33) |
| Other non-current assets | | – | – | – | – | – | – | – | – | – | – |
| **Total non current assets** | | **(928)** | **–** | **17 111** | **41 435** | **26 184** | **26 184** | **–** | **56 775** | **24 926** | **21 206** |
| **TOTAL ASSETS** | | **34 801** | **–** | **3 230** | **50 759** | **47 768** | **47 768** | **–** | **149 836** | **97 101** | **94 610** |
| **LIABILITIES** | | | | | | | | | | | |
| **Current liabilities** | | | | | | | | | | | |
| Bank overdraft | 1 | – | – | – | – | – | – | – | – | – | – |
| Borrowing | 4 | – | – | 446 | – | – | – | – | (526) | (526) | (526) |
| Consumer deposits | | – | – | 11 | – | – | – | – | – | – | – |
| Trade and other payables | 4 | (17 678) | – | 23 507 | 950 | (5 896) | (5 896) | – | (89 309) | (65 561) | (69 432) |
| Provisions | | (441) | – | – | – | – | – | – | – | – | – |
| **Total current liabilities** | | **(18 119)** | **–** | **23 964** | **950** | **(5 896)** | **(5 896)** | **–** | **(89 834)** | **(66 087)** | **(69 958)** |
| **Non current liabilities** | | | | | | | | | | | |
| Borrowing | | (1 086) | – | (3) | 1 157 | 1 157 | 1 157 | – | 1 246 | 1 246 | 1 246 |
| Provisions | | (0) | – | – | (1 500) | (1 500) | (1 500) | – | – | – | – |
| **Total non current liabilities** | | **(1 086)** | **–** | **(3)** | **(343)** | **(343)** | **(343)** | **–** | **1 246** | **1 246** | **1 246** |
| **TOTAL LIABILITIES** | | **(19 205)** | **–** | **23 961** | **607** | **(6 239)** | **(6 239)** | **–** | **(88 589)** | **(64 841)** | **(68 712)** |
| **NET ASSETS** | 5 | **54 006** | **–** | **(20 730)** | **50 152** | **54 007** | **54 007** | **–** | **238 425** | **161 942** | **163 322** |
| **COMMUNITY WEALTH/EQUITY** | | | | | | | | | | | |
| Accumulated Surplus/(Deficit) | | (85 755) | – | 273 | – | – | – | – | – | – | – |
| Reserves | 4 | 79 | – | 2 154 | – | – | – | – | – | – | – |
| **TOTAL COMMUNITY WEALTH/EQUITY** | 5 | **(85 676)** | **–** | **2 427** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |

## Table A7 Budgeted cash flows

**WC041 Kannaland - Table A7 Budgeted Cash Flows**

| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | | | | | | | | | |
| **Receipts** | | | | | | | | | | | |
| Property rates | | 5 093 | – | 23 838 | 29 619 | 28 907 | 28 907 | – | 24 542 | 26 251 | 28 288 |
| Service charges | | 22 042 | – | 49 992 | 73 778 | 73 303 | 73 303 | – | 83 707 | 93 311 | 103 908 |
| Other revenue | | 633 | – | 2 787 | 3 884 | 3 717 | 3 717 | – | 4 081 | 4 444 | 4 758 |
| Government - operating | 1 | (15 335) | – | 24 960 | 29 567 | 35 699 | 35 699 | – | 28 040 | 33 751 | 41 553 |
| Government - capital | 1 | – | – | 118 | – | – | – | – | – | – | – |
| Interest | | – | – | – | 16 | 16 | 16 | – | 11 | 11 | 11 |
| Dividends | | – | – | – | – | – | – | – | – | – | – |
| **Payments** | | | | | | | | | | | |
| Suppliers and employees | | 29 110 | – | 101 582 | 136 406 | 142 410 | 142 410 | – | 143 299 | 159 402 | 180 267 |
| Finance charges | | (176) | – | 612 | 722 | 670 | 670 | – | 227 | 229 | 231 |
| Transfers and Grants | 1 | 544 | – | 406 | 558 | 308 | 308 | – | 470 | 494 | 518 |
| **NET CASH FROM/(USED) OPERATING ACTIVITIES** | | **41 911** | **–** | **204 295** | **274 549** | **285 029** | **285 029** | **–** | **284 378** | **317 893** | **359 534** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | | | | | | | |
| **Receipts** | | | | | | | | | | | |
| Proceeds on disposal of PPE | | – | – | – | – | – | – | – | – | – | – |
| Decrease (Increase) in non-current debtors | | – | – | – | – | – | – | – | – | – | – |
| Decrease (increase) other non-current receivables | | – | – | – | – | – | – | – | – | – | – |
| Decrease (increase) in non-current investments | | – | – | – | – | – | – | – | – | – | – |
| **Payments** | | | | | | | | | | | |
| Capital assets | | (12 698) | – | 795 | (52 626) | (35 692) | (35 692) | – | (68 986) | (37 748) | (34 669) |
| **NET CASH FROM/(USED) INVESTING ACTIVITIES** | | **(12 698)** | **–** | **795** | **(52 626)** | **(35 692)** | **(35 692)** | **–** | **(68 986)** | **(37 748)** | **(34 669)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | | | | | | | |
| **Receipts** | | | | | | | | | | | |
| Short term loans | | – | – | – | – | – | – | – | – | – | – |
| Borrowing long term/refinancing | | – | – | – | – | – | – | – | – | – | – |
| Increase (decrease) in consumer deposits | | – | – | 11 | – | – | – | – | – | – | – |
| **Payments** | | | | | | | | | | | |
| Repayment of borrowing | | – | – | – | (720) | (720) | (720) | – | (194) | (194) | (194) |
| **NET CASH FROM/(USED) FINANCING ACTIVITIES** | | **–** | **–** | **11** | **(720)** | **(720)** | **(720)** | **–** | **(194)** | **(194)** | **(194)** |
| **NET INCREASE/ (DECREASE) IN CASH HELD** | | **29 214** | **–** | **205 101** | **221 203** | **248 617** | **248 617** | **–** | **215 198** | **279 951** | **324 671** |
| Cash/cash equivalents at the year begin: | 2 | **–** | **–** | **(2)** | – | – | – | **–** | **–** | **215 198** | **495 149** |
| Cash/cash equivalents at the year end: | 2 | **29 214** | **–** | **205 098** | **221 203** | **248 617** | **248 617** | **–** | **215 198** | **495 149** | **819 820** |

Could not be completed due to outstanding capturing of opening balances of audited financials for 2018/19 due to late conclusion of the 2018/19 Audit in February 2020.

A complete Balance Sheet and Cash Flow information will be submitted with the Final Budget.

## Table A8 Cash backed reserves/accumulated surplus reconciliation

**WC041 Kannaland - Table A8 Cash backed reserves/accumulated surplus reconciliation**

| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| **Cash and investments available** | | | | | | | | | | | |
| Cash/cash equivalents at the year end | 1 | 29 214 | – | 205 098 | 221 203 | 248 617 | 248 617 | – | 353 170 | 708 617 | 1 102 625 |
| Other current investments > 90 days | | 1 255 | – | (195 082) | (218 763) | (231 485) | (231 485) | – | (333 365) | (714 836) | (1 113 340) |
| Non current assets - Investments | 1 | – | – | – | – | – | – | – | – | – | – |
| **Cash and investments available:** | | **30 468** | **–** | **10 017** | **2 440** | **17 132** | **17 132** | **–** | **19 805** | **(6 219)** | **(10 715)** |
| **Application of cash and investments** | | | | | | | | | | | |
| Unspent conditional transfers | | 17 678 | – | 1 739 | – | 19 936 | 19 936 | – | (22 701) | (20 305) | (22 221) |
| Unspent borrowing | | – | – | – | – | – | – | | – | – | – |
| Statutory requirements | 2 | – | – | – | – | – | – | – | – | – | – |
| Other working capital requirements | 3 | (1 764) | – | 10 277 | (6 886) | (17 270) | (17 270) | – | 41 105 | 8 457 | 7 138 |
| Other provisions | | 249 | – | 92 | 1 500 | 1 500 | 1 500 | – | 3 153 | 3 310 | 3 476 |
| Long term investments committed | 4 | – | – | – | – | – | – | – | – | – | – |
| Reserves to be backed by cash/investments | 5 | – | – | – | – | – | – | – | – | – | – |
| **Total Application of cash and investments:** | | **16 163** | **–** | **12 108** | **(5 386)** | **4 166** | **4 166** | **–** | **21 557** | **(8 537)** | **(11 607)** |
| **Surplus(shortfall)** | | **14 305** | **–** | **(2 091)** | **7 826** | **12 967** | **12 967** | **–** | **(1 752)** | **2 318** | **892** |

## Table A9 Asset Management

**WC041 Kannaland - Table A9 Asset Management**

| R thousand | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
|---|---|---|---|---|---|---|---|---|---|---|
| **CAPITAL EXPENDITURE** | | | | | | | | | | |
| ~~Total New Assets~~ | 1 | ~~6 082~~ | ~~–~~ | ~~(1 024)~~ | ~~44 413~~ | ~~20 480~~ | ~~20 480~~ | ~~52 902~~ | ~~37 148~~ | ~~34 669~~ |
| *Roads Infrastructure* | | – | – | – | – | – | – | – | – | – |
| *Storm water Infrastructure* | | – | – | – | – | – | – | – | – | – |
| *Electrical Infrastructure* | | 5 562 | – | (77) | 3 315 | 3 490 | 3 490 | – | 2 000 | 2 000 |
| *Water Supply Infrastructure* | | 520 | – | (947) | 22 442 | 13 533 | 13 533 | 22 901 | 30 188 | 31 489 |
| *Sanitation Infrastructure* | | – | – | – | 18 000 | 2 202 | 2 202 | 30 000 | 4 750 | – |
| *Solid Waste Infrastructure* | | – | – | – | – | – | – | – | – | – |
| *Information and Communication Infrastructure* | | – | – | – | – | – | – | – | – | – |
| **Infrastructure** | | ***6 082*** | **–** | ***(1 024)*** | ***43 757*** | ***19 225*** | ***19 225*** | ***52 901*** | ***36 938*** | ***33 489*** |
| Community Facilities | | – | – | – | – | – | – | 3 145 | – | – |
| Sport and Recreation Facilities | | – | – | – | – | – | – | – | – | – |
| **Community Assets** | | **–** | **–** | **–** | **–** | **–** | **–** | ***3 145*** | **–** | **–** |
| ~~Heritage Assets~~ | | | | | | | | | | |
| **Computer Equipment** | | **–** | **–** | **–** | **30** | **30** | **30** | **290** | **20** | **20** |
| **Furniture and Office Equipment** | | **–** | **–** | **–** | **50** | **–** | **–** | **236** | **–** | **–** |
| **Machinery and Equipment** | | **–** | **–** | **–** | **–** | **–** | **–** | **890** | **790** | **860** |
| **Transport Assets** | | **–** | **–** | **(64)** | **578** | **928** | **928** | **2 300** | **–** | **300** |
| | | | | | | | | | | |
| **Total Renewal of Existing Assets** | 2 | **971** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| *Water Supply Infrastructure* | | 971 | – | – | – | – | – | – | – | – |
| **Infrastructure** | | ***971*** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Zoo's, Marine and Non-biological Animals** | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| | | | | | | | | | | |
| **Total Upgrading of Existing Assets** | 6 | **5 645** | **–** | **294** | **8 211** | **15 509** | **15 509** | **9 224** | **–** | **–** |
| *Roads Infrastructure* | | 695 | – | – | – | – | – | – | – | – |
| *Water Supply Infrastructure* | | 236 | – | (419) | 4 096 | 10 905 | 10 905 | 4 966 | – | – |
| *Sanitation Infrastructure* | | – | – | – | – | – | – | – | – | – |
| *Information and Communication Infrastructure* | | – | – | – | 360 | 360 | 360 | 1 949 | – | – |
| **Infrastructure** | | ***931*** | **–** | ***(419)*** | ***4 456*** | ***11 265*** | ***11 265*** | ***6 915*** | **–** | **–** |
| Community Facilities | | – | – | – | 650 | 650 | 650 | 1 000 | – | – |
| Sport and Recreation Facilities | | 4 714 | – | 713 | 3 105 | 3 595 | 3 595 | 1 309 | – | – |
| **Community Assets** | | ***4 714*** | **–** | ***713*** | ***3 755*** | ***4 245*** | ***4 245*** | ***2 309*** | **–** | **–** |
| **Zoo's, Marine and Non-biological Animals** | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| | | | | | | | | | | |
| **Total Capital Expenditure** | 4 | **12 698** | **–** | **(795)** | **52 626** | **35 692** | **35 692** | **68 986** | **37 748** | **34 669** |
| *Roads Infrastructure* | | 695 | – | – | – | – | – | – | – | – |
| *Storm water Infrastructure* | | – | – | – | – | – | – | – | – | – |
| *Electrical Infrastructure* | | 5 562 | – | (77) | 3 315 | 3 490 | 3 490 | – | 2 000 | 2 000 |
| *Water Supply Infrastructure* | | 1 726 | – | (1 366) | 26 538 | 24 437 | 24 437 | 27 867 | 30 188 | 31 489 |
| *Sanitation Infrastructure* | | – | – | – | 18 000 | 2 202 | 2 202 | 30 000 | 4 750 | – |
| *Information and Communication Infrastructure* | | – | – | – | 360 | 360 | 360 | 1 949 | – | – |
| **Infrastructure** | | ***7 983*** | **–** | ***(1 443)*** | ***48 213*** | ***30 489*** | ***30 489*** | ***59 816*** | ***36 938*** | ***33 489*** |
| Community Facilities | | – | – | – | 650 | 650 | 650 | 4 145 | – | – |
| Sport and Recreation Facilities | | 4 714 | – | 713 | 3 105 | 3 595 | 3 595 | 1 309 | – | – |
| **Community Assets** | | ***4 714*** | **–** | ***713*** | ***3 755*** | ***4 245*** | ***4 245*** | ***5 454*** | **–** | **–** |
| **Intangible Assets** | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Computer Equipment** | | **–** | **–** | **–** | **30** | **30** | **30** | **290** | **20** | **20** |
| **Furniture and Office Equipment** | | **–** | **–** | **–** | **50** | **–** | **–** | **236** | **–** | **–** |
| **Machinery and Equipment** | | **–** | **–** | **–** | **–** | **–** | **–** | **890** | **790** | **860** |
| **Transport Assets** | | **–** | **–** | **(64)** | **578** | **928** | **928** | **2 300** | **–** | **300** |
| **Land** | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Zoo's, Marine and Non-biological Animals** | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **TOTAL CAPITAL EXPENDITURE - Asset class** | | **12 698** | **–** | **(795)** | **52 626** | **35 692** | **35 692** | **68 986** | **37 748** | **34 669** |
| | | | | | | | | | | |
| **ASSET REGISTER SUMMARY - PPE (WDV)** | 5 | – | – | – | – | – | – | – | – | – |
| **TOTAL ASSET REGISTER SUMMARY - PPE (WDV)** | 5 | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| | | | | | | | | | | |
| **EXPENDITURE OTHER ITEMS** | | | | | | | | | | |
| **Depreciation** | 7 | 2 406 | – | – | 11 192 | 9 336 | 9 336 | 12 231 | 12 843 | 13 485 |
| **Repairs and Maintenance by Asset Class** | 3 | **6 911** | **–** | **892** | **25 379** | **25 891** | **25 891** | **28 344** | **30 646** | **33 019** |
| *Roads Infrastructure* | | 1 000 | – | (435) | 6 495 | 6 665 | 6 665 | 7 052 | 7 676 | 8 317 |
| *Storm water Infrastructure* | | – | – | – | – | – | – | – | – | – |
| *Electrical Infrastructure* | | 713 | – | 154 | 4 718 | 4 939 | 4 939 | 5 591 | 6 203 | 6 825 |
| *Water Supply Infrastructure* | | 716 | – | 117 | 4 705 | 4 547 | 4 547 | 4 686 | 5 042 | 5 365 |
| *Sanitation Infrastructure* | | 210 | – | 52 | 2 603 | 2 884 | 2 884 | 2 909 | 3 151 | 3 385 |
| *Solid Waste Infrastructure* | | 653 | – | 83 | 3 882 | 3 686 | 3 686 | 4 272 | 4 577 | 4 905 |
| *Information and Communication Infrastructure* | | – | – | – | – | – | – | – | – | – |
| **Infrastructure** | | ***3 292*** | **–** | ***(29)*** | ***22 404*** | ***22 720*** | ***22 720*** | ***24 509*** | ***26 649*** | ***28 797*** |
| Community Facilities | | 225 | – | 44 | 623 | 943 | 943 | 778 | 774 | 824 |
| Sport and Recreation Facilities | | – | – | – | – | – | – | – | – | – |
| **Community Assets** | | ***225*** | **–** | ***44*** | ***623*** | ***943*** | ***943*** | ***778*** | ***774*** | ***824*** |
| **Investment properties** | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| Operational Buildings | | 2 997 | – | 825 | 1 713 | 1 640 | 1 640 | 1 912 | 2 021 | 2 136 |
| Housing | | – | – | – | – | – | – | – | – | – |
| **Other Assets** | | ***2 997*** | **–** | ***825*** | ***1 713*** | ***1 640*** | ***1 640*** | ***1 912*** | ***2 021*** | ***2 136*** |
| **Biological or Cultivated Assets** | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Transport Assets** | | **397** | **–** | **52** | **639** | **589** | **589** | **1 145** | **1 202** | **1 262** |
| **Libraries** | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Zoo's, Marine and Non-biological Animals** | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| | | | | | | | | | | |
| **TOTAL EXPENDITURE OTHER ITEMS** | | **9 316** | **–** | **892** | **36 570** | **35 227** | **35 227** | **40 575** | **43 489** | **46 504** |

Table A10 Basic Service Delivery Measurement

| WC041 Kannaland - Table A10 Basic service delivery measurement | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
| | | Outcome | Outcome | Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| **Households receiving Free Basic Service** | 7 | | | | | | | | | |
| Water (6 kilolitres per household per month) | | – | – | 261 341 | 3 987 430 | 3 987 430 | 3 987 430 | 4 117 070 | 4 117 070 | 4 117 070 |
| Sanitation (free minimum level service) | | (1 646 696) | – | – | 6 431 320 | 6 431 320 | 6 431 320 | 6 765 340 | 6 765 340 | 6 765 340 |
| Electricity/other energy (50kwh per household per month) | | (9 758 152) | – | (2 202 894) | 2 171 500 | 2 171 500 | 2 171 500 | 2 171 500 | 2 171 500 | 2 171 500 |
| Refuse (removed at least once a week) | | (1 921) | – | 464 845 | 6 684 850 | 6 684 850 | 6 684 850 | 7 032 040 | 7 032 040 | 7 032 040 |
| **Cost of Free Basic Services provided - Formal Settlements (R'000)** | 8 | | | | | | | | | |
| Water (6 kilolitres per **indigent** household per month) | | – | – | 261 | 3 987 | 3 987 | 3 987 | 4 117 | 4 117 | 4 117 |
| Sanitation (free sanitation service to **indigent households**) | | (1 647) | – | – | 6 431 | 6 431 | 6 431 | 6 765 | 6 765 | 6 765 |
| Electricity/other energy (50kwh per **indigent** household per month) | | (9 758) | – | (2 203) | 2 172 | 2 172 | 2 172 | 2 172 | 2 172 | 2 172 |
| Refuse (removed once a week **for indigent households**) | | (2) | – | 465 | 6 685 | 6 685 | 6 685 | 7 032 | 7 032 | 7 032 |
| **Cost of Free Basic Services provided - Informal Formal Settlements (R'000)** | | – | – | – | – | – | – | – | – | – |
| **Total cost of FBS provided** | | **(11 407)** | **–** | **(1 477)** | **19 275** | **19 275** | **19 275** | **20 086** | **20 086** | **20 086** |
| **Highest level of free service provided per household** | | | | | | | | | | |
| Property rates (R value threshold) | | – | – | – | – | – | – | – | – | – |
| Water (kilolitres per household per month) | | – | – | – | – | – | – | – | – | – |
| Sanitation (kilolitres per household per month) | | – | – | – | – | – | – | – | – | – |
| Sanitation (Rand per household per month) | | – | – | – | – | – | – | – | – | – |
| Electricity (kwh per household per month) | | – | – | – | – | – | – | – | – | – |
| Refuse (average litres per week) | | – | – | – | – | – | – | – | – | – |
| **Revenue cost of subsidised services provided (R'000)** | 9 | | | | | | | | | |
| Property rates **(tariff adjustment)** ( **impermissable values per section 17 of MPRA**) | | – | – | – | – | – | – | – | – | – |
| Property rates exemptions, reductions and rebates **and impermissable values in excess of section 17 of MPRA)** | | 174 | – | 1 287 | 2 693 | 2 693 | 2 693 | 4 931 | 5 178 | 5 437 |
| Water **(in excess of 6 kilolitres per indigent household per month)** | | (1 133) | – | 2 697 | – | – | – | – | – | – |
| Sanitation **(in excess of free sanitation service to indigent households)** | | (3 467) | – | 400 | – | – | – | – | – | – |
| Electricity/other energy **(in excess of 50 kwh per indigent household per month)** | | – | – | – | – | – | – | – | – | – |
| Refuse **(in excess of one removal a week for indigent households)** | | – | – | – | – | – | – | – | – | – |
| Municipal Housing - rental rebates | | – | – | – | – | – | – | – | – | – |
| Housing - top structure subsidies | 6 | – | – | – | – | – | – | – | – | – |
| Other | | – | – | – | – | – | – | – | – | – |
| **Total revenue cost of subsidised services provided** | | **(4 426)** | **–** | **4 383** | **2 693** | **2 693** | **2 693** | **4 931** | **5 178** | **5 437** |

## 7 OVERVIEW BUDGET PREPERATION PROCESS

A central element of the reforms is a change to the way that municipalities prepare their budgets.

The MFMA requires a council to adopt three-year capital and operating budgets that take into account, and are linked to, the municipality's current and future development priorities (as contained in the IDP) and other finance-related policies (such as those relating to free basic service provision).

These budgets must clearly set out revenue by source and expenditure by vote over three years and must be accompanied by performance objectives for revenue and expenditure, a cash flow statement and particulars on borrowing, investments, municipal entities and service delivery agreements, grant allocations and details of employment costs.

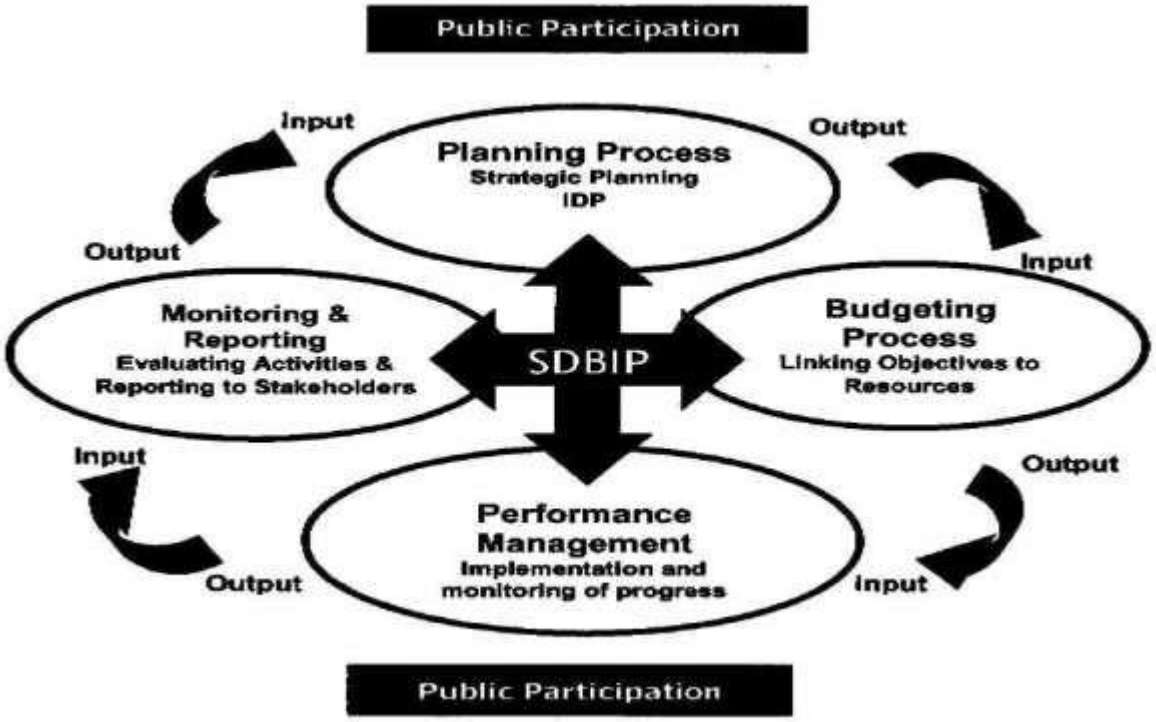
The budget may be funded only from realistic estimates of revenue and cash-backed surplus funds from the previous year and borrowings (the latter for capital items only).

## 7.1 Budget preparation timetable

The first step in the budget preparation process is to develop a timetable of all key deadlines relating to the budget and to review the municipality's IDP and budget-related policies.

The budget preparation timetable should be prepared by senior management and tabled by the mayor for council adoption ten months before the commencement of the next budget year.

The next diagram depicts the planning, implementation and monitoring process that is followed:




In terms of section 21 of the MFMA, the mayor is required to table in council ten months before the start of the new financial year a time schedule of key deadlines that sets out the process to revise the IDP and prepare the budget.

## 7.2 Key Deadlines relating to the budget process

The key deadline relating to the budget process are indicated in the Kannaland IDP process plan.

## 7.3 Tabling of the budget

The final budget will be tabled by the mayor towards the **end of May 2020**.

Once tabled at council, the municipal manager must make public the appropriate budget documentation and submit it to both the national and the relevant provincial treasury and any other government departments as required. At this time, the local community must be invited to submit representations on what is contained in the budget.

## 7.4 Consultation with the community and key stakeholders

When the budget is tabled, council must have considered the views of the local community, the national and the relevant provincial treasury and other municipalities and government departments that may have made submissions on the budget.

The consultation with national and provincial Treasuries regarding the MTREF is attached as an annexure to this document.

An extensive public participation process will be conducted as part of the IDP and budget road shows. The overall objective of this road show is to ensure an authentic and inclusive public participation process for the IDP and budget.

A notice will be placed in the local newspaper in, whereby the public was invited to submit written comments.

Due to the COVID-19 pandemic, it remains uncertain if physical roadshows will take place however the municipality has placed the Tabled Budget and Budget Related Policies on its website and other social media platforms for public comments.

A complete report regarding the feedback on the public participation process will be included in the IDP document.

## 7.5 SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

The municipal manager must within fourteen days after the approval of the annual budget submit to the mayor for approval a service delivery and budget implementation plan and annual performance agreements for all pertinent senior staff.

A service delivery and budget implementation plan is a detailed plan for implementing the delivery of municipal services contemplated in the annual budget and should indicate monthly revenue and expenditure projections and quarterly service delivery targets and performance indicators.

The mayor must approve the service delivery and budget implementation plan within 28 days of the approval of the annual budget.

This plan must then be monitored by the mayor and reported on to council on a regular basis. The municipal manager is responsible for implementation of the budget and must take steps to ensure that all spending is in accordance with the budget and that revenue and expenditure are properly monitored.

Generally, councils may incur expenditure only if it is in terms of the budget, within the limits of the amounts appropriated against each budget vote – and in the case of capital expenditure, only if council has approved the project. Expenditure incurred outside of these parameters may be considered to be unauthorized or, in some cases, irregular or fruitless and wasteful. Unauthorized expenditure must be reported and may result in criminal proceedings.

## 7.6 ALIGNMENT OF BUDGET TO IDP

Local priorities were identified as part of the IDP process which is directly aligned to that of national and provincial priorities.

The IDP strategic objectives and goals are set out in the IDP document.

Kannaland is the place of choice and this along with the strategic vision and mission has led to the conceptualization of five strategic goals for Kannaland. These goals are as follows:

| **Strategic objective** | **Key performance area** |
|---|---|
| To provide access to reliable infrastructure that will contribute to a higher quality of life for Kannaland citizens | Infrastructure |
| To provide adequate services and improve our public relations | Services and public relations |

| | |
|---|---|
| To strive towards a safe community in Kannaland through the proactive management of traffic, environmental health, fire and disaster risks | Safe community environment |
| To facilitate economic growth and social and community development | Economic growth and development |
| To promote efficient and effective governance with high levels of stakeholder participation. | Governance and stakeholder participation |
| To provide an efficient workforce by aligning our institutional arrangements to our overall strategy | Institutional transformation |
| To strive towards a financially sustainable municipality | Financial sustainability |

The above strategic goals are set to become the catalysts to ensure that the vision and mission is achieved in the next five years.

The 2020/21 MTREF has, therefore, been directly informed by the IDP and the following tables provide reconciliation between the IDP strategic objectives and goals.

Please find attached:

- Table 27 – SA4: Reconciliation between IDP strategic objectives and budgeted operating revenue

- Table 28 – SA5: Reconciliation between IDP strategic objectives and budgeted operating expenditure

- Table 29 – SA6: Reconciliation between IDP strategic objectives and budgeted capital expenditure

Abovementioned documents will be adjusted accordingly to rectify deviations and missing information, prior to the approval of the final budget.

## 7.7 MEASURABLE PERFORMANCE OBJECTIVES (MPOS) AND INDICATORS

The MPOs included in the table below are only those that are linked to basic service delivery.
See Annexure SA7: Measurable performance objectives

## 7.8 OVERVIEW OF BUDGET RELATED POLICIES

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

Section 17(3)(e) of the Municipal Finance Management Act, (Act No 56 of 2003) prescribes that the municipality must review the budget related policies annually. Herewith follows suggested changes to council's budget related policies:

The budget committee considered amendments to various policies and the following budget-related policies were reviewed:

1. Customer care, credit control and debt collection
2. Property rates
3. Tariff
4. Unauthorized, irregular and fruitless and wasteful expenditure
5. Indigent
6. Virement
7. Cash management and investment
8. Supply chain management
9. PPPFA
10. Asset management
11. Funding borrowing and reserve
12. Liquidity
13. Budget implementation and monitoring
14. Bad debt write-off
15. Fleet management
16. Grants-in-aid
17. Travel and subsistence
18. Risk management
19. Capital contributions for new developments
20. Water losses
21. Electricity losses
22. Public participation

The following by-laws need to be advertised after council approval:

- Revenue by-laws
- Property rates by-laws

The budget committee has indicated that the finalization of the policy changes will be done after the budget consultation process is completed. The policies are contained in the budget document and place on municipal website for public comment.

The following financial policies need to be reviewed in future:

- Infrastructure Investment and capital projects including planning and approval of capital projects policy on developer contributions – this is included in the tariff policy.

- Unforeseen and unavoidable expenditure.
- Policy dealing with management and oversight.

### 7.9 Review of current policies

Except for the policies mentioned below, the budget-related policies have been reviewed and no material changes have been made.

**Virement policy**

Review of this policy is necessary.

**Liquidity policy**

A new policy is necessary for the long-term financial plan.

### 7.10 BUDGET ASSUMPTIONS

Budgets are prepared in an environment of uncertainty. To prepare meaningful budgets, assumptions need to be made about internal and external factors that could influence the budget.

Documentation of the assumptions used in preparing the budget assists understanding of the information. This section provides a comprehensive summary of all the assumptions used in preparing the budget.

#### 7.10.1 National Treasury MFMA Circular Nos. 98 and 99

These circulars were issued in December 2019 and March 2020, respectively, and they provide guidance to municipalities for the preparation of the 2020/21 budget and MTREF.

#### 7.10.2 Inflation outlook

According to MFMA Circular No. 99, the following headline inflation forecasts underpin the

2019/20 national budget:

| **Fiscal year** | **2019** | **2020** | **2021** | **2022** |
|---|---|---|---|---|
| | **Estimate** | **Forecast** | | |
| Headline CPI inflation | 4.1% | 4.5% | 4.6% | 4.6% |

### 7.10.3 Rates, tariffs, charges and timing of revenue collection

The increases of tariffs and rates excluding Electricity tariffs will be within the norm set by National Treasury and the South African Reserve Bank's inflation target. the model indicated that this was not possible. In order to have a funded budget the following tariff increases are recommended for the 2020/2021 financial year:

The Electricity tariffs is subject to approval by NERSA before the approval of the final budget.
The final reviewed cash flow statement will show when rates and tariffs are expected to be collected over the financial year. In general terms, the timing of rates, tariffs and charges are based on the following:

| | |
|---|---|
| Rates | Monthly billing. Interim billing throughout the year. |
| Tariffs | Monthly billing. On-going prepayment meters. Seasonal fluctuations. |
| Charges | Generally steady state throughout the financial year with seasonal fluctuations |

### 7.10.4 Collection rates for each revenue source and customer type

The following bad debt provisions and collection rates are assumed in the MTREF for rates and tariffs.

| | 2019/20 R '000 | 2020/21 R'000 | 2021/22 R |
|---|---|---|---|
| Provision for bad debts and doubtful debts - service debt | 12 619 | 11 227 | 12 035 |
| Assumed collection rate | 83% | 85% | 85% |
| Provision for bad and doubtful debts – fines | 4 083 | 4 199 | 4 367 |

### 7.10.5 Price movements on specifics e.g. bulk purchases

The following amounts are included in the MTREF for increases in bulk purchases;

| | **2019/20 R** | **2020/21 R** | **2021/22 R** |
|---|---|---|---|
| Bulk Purchases | 6% | 6% | 6% |

An extra-ordinary price increase is foreseen from ESKOM as a result of the court challenges ESKOM has against NERSA.

### 7.10.6 Average salary increases

The MTREF includes the following average percentage increases for wages, salaries and for councilors' remuneration;

| Description | 2019/2020 R | Proposed increases 2020/2021 R | 2022/2023 R |
|---|---|---|---|
| Councilors | 5.5 % | 4% | 4% |
| Section 57 employees | 5.5% | 6% | 6% |
| Salaried employees | 5.9% | 6% | 6% |
| Casual employees | 5,9% | 6% | 6% |

### 7.10.7 Industrial relations climate, reorganization and capacity building

The ability of the municipality to deliver quality services is virtually entirely dependent on its staff. Failure by the municipality to invest in its staff to ensure that the capacity and skills exist to meet the challenges being faced by Kannaland will ultimately mean a failure to deliver services.

Currently, the municipality face financial constraints which do not make it possible for all employees to receive the required training. As result, the municipality has developed a training plan to prioritize critical training. The municipality is also facing capacity constraints which cannot be merely rectified through training.

The Budget for training will have to be revised and included in the final budget for 2020/21. Grant funding allocated for training will also be brought into consideration. Thus, will result in a reduction of the operating surplus.

## 7.11 Trends in demand for free or subsidized basic services

Kannaland criteria for supporting free or subsidized basic services are set out in the indigent policy. The government allocates revenue via the equitable share grant with the primary aim of assisting municipalities with the costs of providing free or subsidized basic services. Any costs over and above the equitable share allocation must be paid by the consumer.

## 7.12 Capital budget

The municipality provided grant funded projects as gazzeted in the Division of Revenue Act, for the 2020/2021 annual budget. No external funding will be used to finance capital projects.

## 7.13 Implications of restructuring and other major events in the future

The municipality is currently in the process of implementing changes to the micro structure. These changes are being done internally with the existing staff component. These changes will be implemented to streamline service delivery and to affect savings.

## 7.14 Budgeting for contingency plans for prolonged power outages

This municipality is in the process of implementing contingency plans to address ESKOM power outages such as the procurement of generators. Due to financial constraints the municipality would only be able to realize these goals in the adjustment budget.

However, it has been established that the government is collectively working with ESKOM to mitigate the impact of power cuts. These efforts will improve the availability of electricity over the medium term, and plans are under way to ensure that South Africa can generate sufficient energy to power its economy over the long term. The government consistently encourages a reduction in energy consumption and promotion of energy efficiency.

Consequently, the response from government is to address the immediate challenge and it would therefore be premature for municipalities to invest in contingency infrastructure with the expectation of funding.

## 7.15 MUNICIPAL MANAGER'S QUALITY CERTIFICATE

See annexure for signed quality certificate

## 7.16 ANNEXURES TO THE DOCUMENT

### 7.16.1 Annexure 1: Budget speech

### 7.16.2 Annexure 2: Tariff list 2019/20

### 7.16.3 Annexure 3: A1 -Schedule Budget and supporting tables